



## Construction Work in Progress (CWIP)

Lawrence Berkeley

National Laboratory

Financial Policies and Procedures

Part I - Chapter 2.03

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### Summary

The purpose of this policy is to define the guidelines for appropriately managing Construction Work in Progress (CWIP) projects at Lawrence Berkeley National Laboratory (LBNL).

### Policy

#### *Overview*

CWIP is a balance sheet account that the Laboratory maintains and manages (through an accounting process) to reflect costs incurred for plant and capital equipment (PACE). The Laboratory will ensure that costs incurred for plant and capital equipment purchases are properly accounted for (i.e., timely closing, asset identification, tagging, capitalization, and depreciation) in accordance with DOE requirements.

Maintaining a CWIP account complies with accounting standards and capitalization criteria in the [Statements of Federal Financial Accounting Standards \(SFFAS\) No. 6, Chapter 2.34](#) and the [Department of Energy \(DOE\) Accounting Handbook, Chapter 10.1.h](#). The Laboratory CWIP account reflects costs associated with PACE work in progress accumulated during the acquisition, fabrication and/or construction period. When the project is completed and/or the asset has been identified (tagged) and placed in service, it is capitalized and transferred to an asset account for depreciation.

### Procedures

See following table for criteria, guidelines and procedures for processing PACE projects for CWIP.

**Plant and Capital Equipment  
Criteria, Guidelines and Procedures**

Project Type	FMS Project Type	Opening Criteria	Opening Procedure	Closing Criteria	Closing Procedure
Fabrication	EQFAB	<p><b>Value ≥ \$50K</b> (Includes LBNL labor, burdens, transportation, installation, modifications, etc.)</p> <p>(Total cost must include minimum \$10K LBNL labor)</p> <p><b>Useful life &gt; two years</b></p> <p><b>Tangible</b></p> <p><b>Self-constructed asset</b> that must be built at LBNL</p> <p><b>Unique/custom device</b>, not available in open market</p> <p align="center"><b>or</b></p> <p><b>Modification/improvement of off-the-shelf</b> equipment that <b>significantly increases</b> its value, functionality, or life</p>	<p><b>Originating Division</b></p> <ul style="list-style-type: none"> <li>- Ensures adequate funding at project ID level</li> <li>- Enters new project information into FMS in "requested" status</li> <li>- Completes PACE Open/Close form, with "open" information</li> <li>- Electronically submits to Property Accounting</li> </ul> <p><b>Property Accounting</b></p> <ul style="list-style-type: none"> <li>- Verifies appropriateness of funding source</li> <li>- Enters project information into central database</li> </ul> <p><b>Budget Office</b></p> <ul style="list-style-type: none"> <li>- Verifies funding is available at the B&amp;R level</li> <li>- Changes FMS status from "requested" to "open"</li> </ul> <p><b>A CWIP project must be "open" in FMS prior to commencing any activity</b></p>	<p>Asset placed in service</p> <p align="center"><b>or</b></p> <p>Project abandoned</p>	<p><b>Originating Division</b></p> <ul style="list-style-type: none"> <li>- Completes PACE Open/Close form w/ <i>closed</i> information</li> <li>- If asset in service, <b>but project ongoing</b>, indicates "Capitalize portion" on form</li> <li>- Electronically submits to Property Accounting</li> </ul> <p><b>For abandoned projects</b></p> <ul style="list-style-type: none"> <li>- Distributes costs to related projects (if any) via resource adjustment (exception - if creates significant cost distortion, follow next steps)</li> </ul> <ul style="list-style-type: none"> <li>- <b>If no related projects</b>, submit PACE form</li> </ul> <ul style="list-style-type: none"> <li>- <b>Division Director</b> submits memo to CFO approving abandoned project costs or incorrect fund use (color of money) (cc Property Accounting)</li> </ul> <p><b>Property Accounting</b></p> <ul style="list-style-type: none"> <li>- Determines value of asset and if tagging is needed</li> <li>- Emails Prop. Mgmt to tag asset, if applicable</li> <li>- Capitalizes asset in LBNL asset database</li> <li>- Updates CWIP progress log</li> <li>- Closes project ID in FMS</li> <li>- For abandoned projects, initiates resource adjustment for write off to account YN03</li> </ul>
Construction	CNSTR	<p><b><u>Facility Construction</u></b></p> <p><b>New building, addition, conversion or betterment</b></p> <p>(Includes burdens, design, transportation, installation, modifications, etc.)</p> <p>&lt; \$5M = General Plant Project (GPP) &gt; \$5M = Line Item Project</p>	<p>Same as fabrication procedures above, but must submit completed Facilities Division Construction Capitalization Recap form</p>	<p>Asset placed in service or</p> <p>When the building is suitable for beneficial occupancy (tenant occupation)</p>	<p><b>Facilities Division</b></p> <p>Same as above</p> <p>Include <b>Construction Capitalization Recap</b> form</p>
Construction	CNSTR	<p><b><u>Scientific Construction</u></b></p> <p><b>New building, addition, conversion or betterment, and Accelerator Improvement Projects (AIP)</b></p> <p>(Includes burdens, design, transportation, installation, modifications, etc.)</p> <p>&gt; \$5M = Line Item Project</p>	<p>Same as fabrication procedures above</p>	<p>Same as fabrication procedures above</p>	<p><b>Originating Division</b></p> <ul style="list-style-type: none"> <li>- Completes <b>PACE Life Cycle form</b></li> <li>- <b>Submits</b> electronically to Property Accounting</li> </ul>
Laboratory Directed Research and Development (LDRD)	OHLDR	<p>Must use LDRD funds (requires Laboratory Director approval)</p> <p>Same as fabrication procedures above</p>	<p>Same as fabrication procedures above</p>	<p>Same as fabrication procedures above</p>	<p>Same as fabrication procedures above</p>
University of California Directed Research and Development (UCDRD)	UCDRD	<p>Must use UCDRD funds (requires Laboratory Director approval)</p> <p>Same as fabrication procedures above, <b>except</b>:</p> <ul style="list-style-type: none"> <li>- <b>DOE must retain title</b></li> <li>- If UC retains title, not applicable</li> </ul>	<p>Same as fabrication procedures above</p>	<p>Same as fabrication procedures above</p>	<ul style="list-style-type: none"> <li>- If DOE retains title, <b>submit</b> PACE Life Cycle form electronically.</li> <li>- If UC retains title, PACE Life Cycle Form <b>not required</b>, as equipment is not capitalized.</li> </ul>

**MARS Program Codes**

<b>97BAL</b>	Asset, liability and equity accounts (generally for accounting use only)
<b>99110</b>	Liens
<b>EQUIP</b>	Capital equipment
<b>OPEXP</b>	Operating costs (both direct and indirect) - majority of Lab costs are OPEXP
<b>PLANT</b>	Real property (buildings)

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### **Roles and Responsibilities**

#### *Divisions*

- Ensure appropriate funding is available at the project ID level.
- Ensure equipment, fabrication, construction, LDRD and UCDRD purchases (requisitions) meet the criteria of capital equipment as appropriate and are charged to the correct fund type and Management Analysis and Reporting System (MARS) program code (see PACE criteria, guidelines and procedures table above).
- Ensure WFO equipment purchases meet terms and conditions of WFO contract.
- Track all associated costs within that project ID; ensuring the total cost is greater than \$50K to meet the established criteria, as appropriate. Stay within approved budget and date projected for project to be completed.
- Complete PACE Life Cycle Form to open and/or close projects as applicable, and submit electronically to Property Accounting.
- When appropriate, close the project ID in FMS.

#### *Property Accounting*

- Ensure overall management and oversight of CWIP process. Work with stakeholders to ensure CWIP processes are performed in a timely and accurate manner.
- Ensure appropriate funding source is used.
- Track progress of CWIP projects via the CWIP Project Log (posted on CFO website).
- Verify costs of closed CWIP projects.
- Submit electronic notification to Property Management verifying costs for asset tagging, if appropriate.
- Capitalize asset when appropriate and transfer costs to asset account, completing the CWIP process.
- Reconcile CWIP project accounts to the Laboratory Asset Management System (AMS) for Property Management.

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### *Budget Office*

- Verify appropriate funds are available at the B&R level when project ID is in “request” status in FMS.
- If appropriate, open project ID in FMS (change status to “open”).

### *Property Management*

- Identify and tag asset when notified via email from Property Accounting.
- Enter asset into LBNL asset inventory database.
- Notify Property Accounting electronically verifying property is identified and asset is tagged.

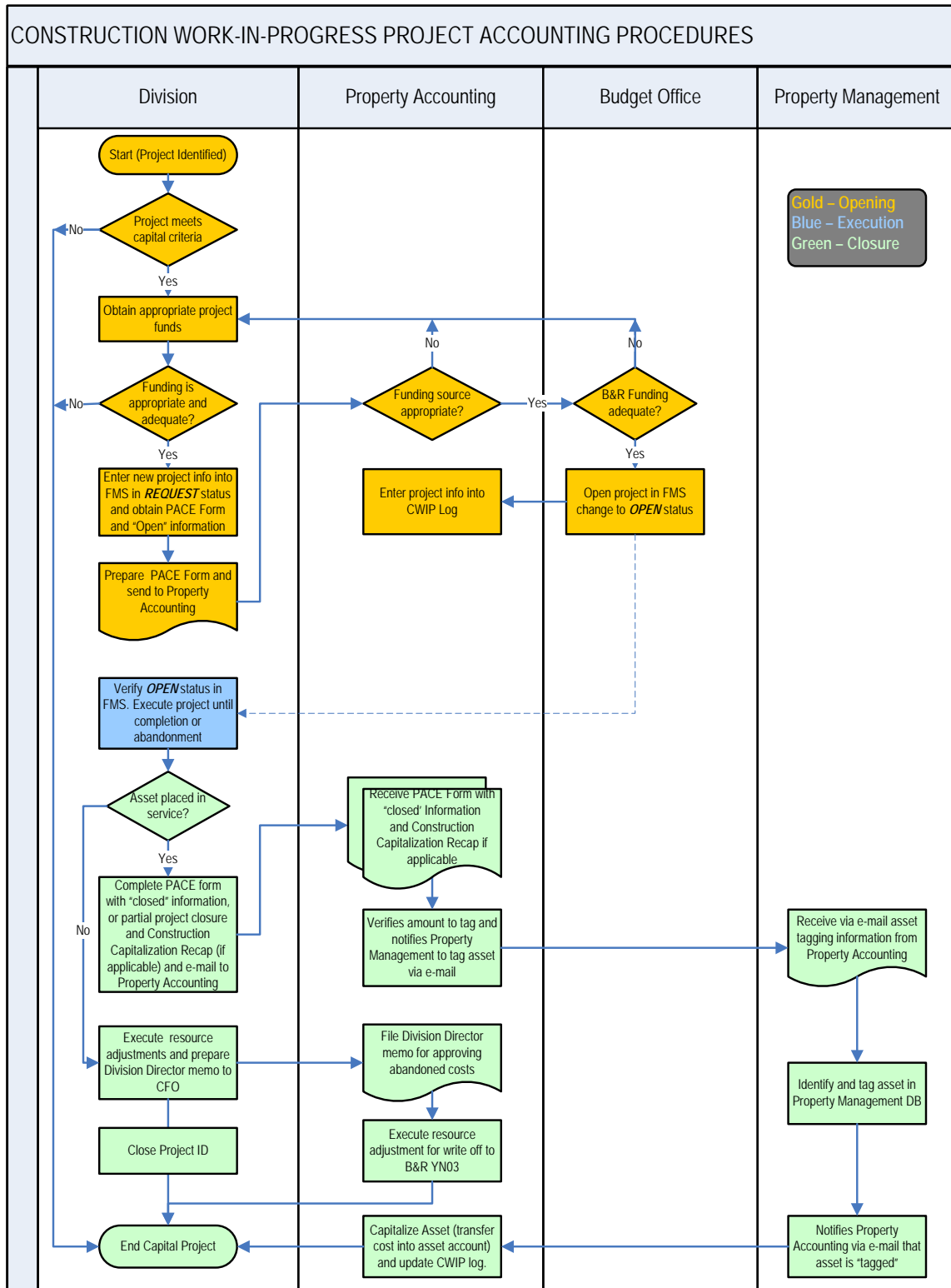
### **Adjustments for Non Capital Projects**

In cases where the project did not meet the capitalization criteria (non capital funds), the following process applies:

- If the equipment costs of a non capital project are charged to a CWIP project, and require an adjustment to transfer the costs into the appropriate operating expense, the Division prepares a resource adjustment to reflect the appropriate changes.
- If the equipment costs have been removed from CWIP and placed into a capital asset account and General Accounting has begun depreciating the asset:
  - The Division prepares a resource adjustment to move the costs into the appropriate operating expense.
  - If the cost was incurred in a prior year, and the B&R is closed, consult the Budget Office’s Direct Budget Group for the appropriate B&R to use. If the B&R that should have been used is closed, also contact the Direct Budget Group for the new B&R to use.
  - Notify General Accounting of the change via email, so that depreciation of the asset can be reversed, and the asset can be removed from the Property Accounting System.

The following diagram illustrates the CWIP process flow:

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### Authority

- [DOE Accounting Handbook, Chapter 10, Plant and Capital Equipment](#)

### Contacts

- Controller, Office of the CFO
- Manager, General Accounting
- Principal Accountant, Property Accounting
- Manager, Procurement and Property
- Manager, Financial Policy and Training

### Glossary

- **Abandoned projects:** The cancellation of all or part of a contract or purchase order to procure, manufacture, or assemble an item of P&CE. These costs, less any salvage credits, shall be distributed over the remaining units of property within the project for project accounting purposes, except where such distribution significantly distorts the cost of the remaining property units. Where such distortion occurs, the costs of the abandoned project or project segment may be closed from Construction Work in Progress to Abandoned Projects (Budget and Reporting Classification Code YN, Other Costs and Credits). All charges to abandoned projects shall be approved by the Head of the Field Element.
- **Beneficial occupancy:** The point at which the facility is turned over to the user or occupants.
- **Capital equipment:** A movable, tangible item, with a value of  $\geq$  \$50K, including labor, burdens, transportation, modifications, etc., and a useful life of  $\geq$  two years.
- **Capitalization:** The act of closing (or reclassifying) acquisition costs of an asset, which allows it to be allocated or depreciated (expensed) over the life of the asset.
- **Construction:** The installation, assembly or creation of a new facility, the addition, expansion, improvement, or replacement of an existing facility, or the relocation of a facility. Construction includes equipment installed in and made part of the facility and related site preparation (excavation, filling and landscaping, or other land improvements), and the facility design.

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- **Construction Work in Progress (CWIP):** A holding account that captures costs incurred for property, plant and equipment that complies with accounting standards and capitalization criteria in the [Statements of Federal Financial Accounting Standards \(SFFAS\) No. 6, Chapter 2.34](#) and the [DOE Accounting Handbook, Chapter 10, 1.h](#).
- **Depreciation:** The allocation of the cost of an asset over a period of time for accounting purposes. A decline in the value of a property due to general wear and tear or obsolescence.
- **Fabrication:** A tangible, self-constructed asset, valued at  $\geq$  \$50K, including \$10K of LBNL labor, and applicable burdens, transportation, modifications, etc., with a useful life of  $\geq$  two years. It must be a unique or custom built device not available in the open market. To qualify as a fabrication, any modification or improvement of off-the-shelf equipment must be a betterment that significantly increases its value, functionality, or life.
- **Personal Property:** Property that can be moved and that is not permanently affixed to and part of real estate.
- **Plant:** Land, building, and improvements, associated infrastructure (i.e., electrical substations, piping systems, roads, etc.) and construction in process. Does not include movable equipment.
- **Plant and Capital Equipment (PACE):** Land, land rights, depletable resources, improvements to land, buildings and structures, utilities, and equipment. For the purposes of this policy, PACE is synonymous with property, plant and equipment (PP&E).
- **Property, Plant and Equipment (PP&E):** Synonymous with plant and capital equipment (PACE).

### **Related Documents**

- [LBNL Capital Equipment Fabrication policy, Part I – Chapter 2.02](#)
- [PACE Life Cycle Form](#)